



1200 EIGHTEENTH STREET, NW  
WASHINGTON, DC 20036

TEL 202.730.1300 FAX 202.730.1301  
WWW.HARRISWILTSHIRE.COM

ATTORNEYS AT LAW

September 4, 2002

**EX PARTE - Via Electronic Filing**

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: CC Dockets No. 96-45, 98-171, 90-571, 92-237, 99-  
200,  
95-116, 98-170, and NSD File No. L-00-72

Dear Ms. Dortch:

On August 30, 2002, Jim Blaszak (on behalf of the Ad Hoc Telecommunications Users Committee), Brian Moir (on behalf of eTUG), Joel Lubin (of AT&T), Patrick Merrick (of AT&T), Rick Whitt (of WorldCom), Chuck Goldfarb (of WorldCom) and I (on behalf of the Coalition for Sustainable Universal Service ("CoSUS")) met with Eric Einhorn, Diane Law Hsu, Paul Garnett, Vickie Byrd, Jim Lande, and Narda Jones, to discuss the above-captioned proceeding.

Many of the points of our presentation are set forth more fully in CoSUS comments and reply comments filed in the above-referenced dockets in response to the Further Notice of Proposed Rulemaking. We stated that in constructing the CoSUS proposal, we sought to maintain competitive neutrality, minimize administrative and transaction costs, place the contribution mechanism on a stable and sustainable basis, rather than a basis that was going to become irrelevant in the evolving telecommunications marketplace, exempt Lifeline subscribers from all universal service fees for their Lifeline connection, and be cognizant of the amount of federal USF fees that a residential household would bear. We did not focus on sectoral "burdens" because, in our view, this was wholly a matter of "optics" as all USF assessment fees are ultimately passed on to users, and that by ensuring competitive neutrality and minimizing administrative and transaction costs, the CoSUS proposal would ensure that the necessary universal service contributions were collected at the minimum cost to consumers and society and in a way that would not distort competition.

The SBC-BellSouth proposal, on the other hand, would incur substantial administrative and transaction costs. IXC's do not, as a routine part of their commercial operations, have the information about their customers' end user access connections necessary to report and pay USF contributions under SBC-BellSouth, but would have to obtain that information from the LEC. Because this cost of obtaining necessary information applies only to providers that do not provide both long distance and local service to the customer, the cost of obtaining necessary information falls disproportionately on providers that are offering long distance without providing the local service to the same customer. In short, SBC-BellSouth favors the Bell Companies.

The Jaber proposal for an IXC account fee for residential and single line business, but not multiline business account, does not maintain competitive neutrality between wireline providers and wireless provider. Under Jaber, the wireline long distance carrier is subject to a 50-cent residential/single line business account fee that is not applied to a wireless carrier. On the other hand, the wireless carrier contributes \$1.00, which is more than the ILEC. This is not competitively neutral, and thus cannot be considered to be equitable and nondiscriminatory.

Both SBC-BellSouth and the Jaber account proposal raise the question of how customers with no long distance usage would be assessed. Would carriers be required to pay assessments for months in which the customer had no interstate long distance usage? If so, what would happen if the customer were to de-PIC its line? Would the customer still pay an account or long distance "connection" fee levied by the LEC, or would the customer not pay the account/long distance "connection" fee? How would such a proposal deal with dial-around long distance and calling cards in order to maintain competitive neutrality (the point which led a majority of state joint board members to reject the proposal)? In addition, because IXC's do not have information about which of their customers is a Lifeline carrier, a Lifeline subscriber could not be reliably exempted from USF assessments on the IXC, and hence by the IXC to the end user. Furthermore, depending on how the Commission implemented such proposals, it could unfairly and disproportionately increase the burden placed on business users.

We further pointed out that all purported alternatives to the CoSUS proposal, including the Jaber per account proposal, would result in higher average household USF fees than under CoSUS, across all income groups. To the extent the Commission seeks to minimize charges on the residential household, the CoSUS proposal does so, and all other proposals do not.

Ms. Magalie Roman Salas  
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In accordance with FCC rules, a copy of this letter is being  
filed in each of the above-captioned dockets.

Sincerely,

/s/

John T. Nakahata  
*Counsel to the Coalition for  
Sustainable  
Universal Service*

JTN/krs